

30 May 2008

Dr John Tamblyn
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Dear Dr. Tamblyn 

National Transmission Planner Draft Report

EnergyAustralia welcomes the opportunity to comment on the AEMC's draft determination in relation to the National Transmission Planner Review ('the draft determination').

We have made many submissions regarding the overlap between transmission and distribution caused by the Rules' definition of transmission. We have also proposed a Rule change to address a similar issue in relation to economic regulation of DNSPs who own "dual function assets". The AEMC's draft rule determination supported this proposal.

Since the Rule proposal was lodged, the Ministerial Council on Energy (MCE) has endorsed transitional Rules that address this issue for the upcoming distribution network price determinations in NSW.

The draft determination acknowledges that this national transmission planner review is for transmission networks only and therefore the AEMC's recommendations in relation to the regulatory test are only intended to be applied to transmission investments. EnergyAustralia supports this recommendation but suggests that it must be taken one step further to recognise "dual function assets".

EnergyAustralia considers that the current regulatory test should be maintained for both its distribution and "dual function" transmission assets unless the test is reviewed with consideration of distribution investments. Dual function assets are those that characterised as providing support to the higher voltage transmission network whilst having no material market impact.

The reasons for this are twofold:

- To prevent undue regulatory burden. If EnergyAustralia had to apply the regulatory test (for transmission), as recommended by the draft report, then there is potential for EnergyAustralia having to satisfy two different regulatory tests for a single investment that comprises both transmission and distribution assets. This would only add costs to the regulatory process and therefore would detract from the market objective.
- The recommended test is not meaningful, when considering EnergyAustralia's transmission network. Our transmission assets are not included in NEMMCO's dispatch engine and therefore do not affect the dispatch of generation. However the market impact of transmission investments seems to be at the centre of the draft report's recommended regulatory test for transmission. These

market benefit considerations would rarely, if ever, be relevant to EnergyAustralia's dual function investments.

The current regulatory test, while it has its deficiencies, is a more practical fit for the type of investments EnergyAustralia undertakes. If a review were to be undertaken, the two principal issues that we believe need to be considered are:

- The threshold levels of the Test; and
- How the consideration of electrical losses might be effectively included in the assessment, in the very small number of instances where they prove to be material.

If you require any clarification of this matter, please do not hesitate to contact me on (02) 9269 4171.

Yours sincerely,



Harry Colebourn
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